

# Audit's<sup>®</sup> NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

# Realty Trust Review

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## BI-MONTHLY RELATIVE APPEAL RANKINGS AND PORTFOLIO ADVISORY

Portfolio advisory: Eight trusts hiked in rankings while none fall.....1

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## PORTFOLIO ADVISORY: EIGHT TRUSTS UPGRADED IN MORE COMPETITIVE MARKET

With IBM paying 4.7% you have to be choosier about buying new REIT shares.

That's the tough reality of today's marketplace. IBM is a premier growth stock and pays out only 60% of earnings - vs. 90% for qualified trusts.

So many of today's non-dividend paying REITs and business trusts don't cut it in today's market. Especially when the investor can get 6% to 8% elsewhere.

Our RELATIVE APPEAL RANKINGS are geared to reflect these realities. We've given No. 1 rankings to trusts with consistent high quality income with good growth outlook. General Growth Properties moves back into this rank because shares have dipped back to an important bottom. They pay 6.7% estimated to be about 60% tax free.

Connecticut General Mtg. holds a No. 1 because we smell a dividend boost.

We moved Hospital Mtg. Group to a No. 1 also because it has the highest combination of yield (6.3%) and discount from book value (58%). No other recovering trust has quite that good a combination. HMG has swapped out two nettlesome minority participations for a Houston tract and now owns or leads all investments.

But you can get paid while waiting in many other trusts. For some the payout is higher but the discount from book value (and hence potential capital gains) much lower. We've added three trusts to No. 2 ranking with these characteristics:

Mortgage Growth Investors paying 9.2% and 39% below book; Northwestern Mutual Life Mtg., paying 8.7% and 40% below book value; and PNB Mtg. & Realty, 7.8% dividend and 46% discount.

All three seem to have discounted impact of any runup in short-term rates.

Big question for these three and all trusts earning below 8-10% on book is:

Will they ever sell at or over book value? Our feeling: Probably not unless the market goes on a bull rampage and IBM's yield falls back near 2%.

Until that happens, 10% to 20% discounts from book value may be the best any investor can expect from trusts. Especially trusts still playing the mortgage tune.

Also, pure statistics favor the fatter discounts. At 60% discount, potential

## Comprehensive two-page REIT EVALUATIONS are ready on these 10 trusts:

Amer. Fletcher Mtg. Inv.

Chase Man. Mtg. & Rlty.

Cont. Illinois Realty

Barnett Mtg. Trust

C.I. Mortgage Group

First Commerce Realty

Beneficial Std. Mtg. (Alamand)

Citizens Mtg. Inv. Tr.

Prices

Cameron-Brown Inv. Group

Cit. & So. Realty Inv.

\$15 for each, \$20 the group

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capital gains are 150% if shares ever sell at book value. Or are liquidated at book. At 50% discount, the potential gain falls to 100%. And at 40% below book, you're looking at only a 67% gain. Spread those over three to five years and you have big incentives to seek big discounts. Even when you're getting paid.

Those numbers become even more powerful when you move into non-payers. Thus we move rankings down a notch - approximately - to reflect your cost of capital. That's why you find only two stocks ranked No. 1N - no dividend. Summit Properties holds that rank. The 25% discount to book value on the asked price of  $5\frac{1}{4}$  is peanuts. But we believe dividend will be resumed fairly soon. Diversified Mortgage is our other new No. 1N. Surprised? So were we. But DMG has pulled a coup unmatched by any other trust. It swapped assets with gusto. Then it borrowed \$75 million from Chicago's Continental Illinois Bank and bought all its other banks out - at a good discount. One big loan was repaid.

Result: DMG cut bank debt from \$205 million to \$44 million in just 14 months. Book value popped - up to \$8.60/share now. Leverage ratio is down to 0.7. Essentially DMG is now an empty glass of water - just waiting for a good merger partner or acquirer to come along and pour it full. Shares trade 68% below book value. NYSE listing is intact. And net operating loss (NOL) is handsome. That's why we think things will happen.

Other changes: Citizens Growth Properties up to 3N. It's another empty glass of water (see RTR Feb. 10). Buffalo stock broker Brent Baird now owns 16% of shares. Colwell Mtg. Trust up to 4N - still below average but interesting if bankruptcy court approves its plan to squeeze down subordinated debt holders.

Some smart Wall Street money is buying the Chase Manhattan Mtg. 11-5/8 converts. At  $96\frac{1}{2}$  on Pacific Exchange they yield 12.0%. They're marginable to 70%, so net investment yield can climb close to 20%. And \$2.25 conversion price is just a whisker above recent quotes at \$2.

Liquidation. That nasty word has come out of the closet. For months managers of troubled trusts have ducked the issue. Liquidate? Us? "Viable operating base" and "Core assets" are the buzzwords. Bankers like them. Now First Fidelity Investment Trust has broken the spell. Trustees voted to liquidate and distribute proceeds to shareholders. Reasons: high costs of running a small trust, presence of restive shareholder group with 9% of shares. Can FFIT get more than its \$10.54/share book value? Only time will tell but we doubt there's much premium. Thus shares at 9 asked aren't screaming buys.

But pressure continues on trust managements. President Tom Hartigan of First Union leaves in split of opinion over how trust will grow and get new deals. Tender for Property Trust of America shares at \$6 extended to Mar. 14. Federated Reinsurance Corp. seeks 335,000 sh. or 13%. It already owns 6.6%.

B.F. Saul REIT shares hit new yearly high of  $5\frac{1}{2}$  when President Frank Saul told New York City analysts a dividend in 1979 was a "reasonable expectation."

But inside buying months ago told story. Insiders, including adviser's profit sharing plan, now own over 10%.

Best to let shares settle down a bit. They have pattern of sharp bursts, then driftbacks to lower prices. Below five should still be possible.

Barnett Mortgage Trust will announce while this letter is in mail to you whether subordinated debt holders approved restructuring. Bond prices say OK is in the cards. Bay Colony, Midland and Tri-South Mtg. have similar deals that merit approval.



## RELATIVE APPEAL RANKINGS AND LATEST RESULTS

Relative Appeal (RA) Rankings, shown in the extreme left column, give Audit Investment Research's current view of relative attractiveness of current share purchases. All trusts are ranked from 1 to 5 based upon dividend and capital preservation outlook. Non-dividend paying trusts are designated with an "N" beside their ranking. Each trust comment contains brief advice on suitability of both shares and bonds. Average market risk is assumed for all share purchases. Changes in rankings are indicated by UP DOWN. Relative Appeal Rankings mean:

- 1--Highest appeal with lowest market risk; Dividend outlook stable to up, or may be resumed shortly.
- 2--Above average appeal, somewhat higher market risk; Dividend increases or resummptions expected over 1-2 years.
- 3--Average appeal and market risk; Dividend fluctuates or resummptions possible longer term.
- 4--Below average appeal, high market risk; Dividend cuts or omissions possible.
- 5--Least appeal; Dividends in peril or not foreseen; Serious problems: SEC trading halt; no auditor's opinion; serious debt defaults; Chapter XI; negative equity; banks calling loans.

NON-DIVIDEND paying trusts are not recommended for income investors, but may have special trading appeal as speculations upon quick price moves based on dividend resumption, trust recovery, money market rates or other news.

Portfolio shows: invested assets in millions of dollars (M); % of problem, non-earning assets; & property type mix.

Financing shows: leverage ratio of all debt to shareholder equity (over 20-to-1 ratio shown as "high leverage"); current financing arrangements.

Results are latest quarter earnings and dividends. Share amounts are shown unless indicated as million dollars (M).

EPS=earnings per share; CFS=net cash flow per share. Data, rankings and advice revised bimonthly. ("Date reviewed" shows latest review in either Realty trust Review (RTR) or comprehensive REIT Evaluation (EVAL)).

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3N-AMER CENTURY (EVAL 12/14/7-Mtg/Forcl prop-June FY) Port.: \$117M, 36% non- & 27% low earn; 67% foreclosed; Mix: 14% condos, 18% land, 33% office, 17% hotel. Financing: 6.3 leverage; \$67M bank debt at 5% minimum or net income, to 10/1/78, + contingent int. for 10 yrs. Results: Dec. Q d13c. Condo sales strong. Bonds: Speculative yield. Shares: Hold, moderate recovery at 50% below book value.
- 4N-AMER FLETCHER (EVAL 3/7/8-Mtg/Forcl prop--Jan FY) NON-QUAL TRUST. Port.: \$81M, 94% nonearning & reduced rate; 75% foreclosed; Mix: 33% condos, 33% land & devel. Financing: Neg. equity; \$44M bank debt to 7/31/78 at 4% inter. with 2% cut if prepayments met. Results: Oct. Q EPS d69c; Expects \$1.18/sh. int. forgiven in Jan. '78. No auditor's opinion '77. Shares: Trading; ASE delisted.
- 4N-AMER REALTY (EVAL 7/29/7-Prop.&Mtg.-Sep FY) NON-QUAL TRUST. Port.: \$40M, 45% nonearning; Mix: 15% mtgs, 78% equity, 7% foreclosed; 40% hotels/motels, 29% land. Wash., D.C. area. Financing: 5.2 leverage; \$15.5M notes secured by assets; bank debt being restructured. No 1976 auditor's opinion. Results: Sep. Q EPS 23c after 21c land sale gain. Bonds & shares: Trading; recovery prospects better.
- 4N-API TRUST (No review-Property-Mar FY) Port.: \$51M, 10% nonearning; 72% in 26 shopping centers, most net leased, & 28% in mtgs. Financing: 4.9 leverage; 50% by mortgages on property, 50% short-term loans. Results: Dec. Q EPS d47c after 44c loss; No Div. Shares: Jeffrey Schultz et al bought 197,000 shares, 19%. Sophisticated play on equity values.
- 4N-ATICO MTG. (EVAL 6/17/7-Mtg/Forcl prop.-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$136M, 69% non- & 25% low-earn, 70% foreclosed; Mix: 59% condos, 17% land; 90% Fla. Financing: 6.1 leverage; one bank balks at new \$72M bank credit to accrue at prime rate, causing default. Results: July Q EPS d63c after 15c gain. Bonds: Feb. interest on 6 3/4s delayed. Shares: Halted on NYSE; Avoid or speculate on resolving bank pressure.
- 2N-ATLANTA NATL (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Port.: \$28M, 59% nonearn; 34% foreclosed, Mix: 18% medical, 23% condo, 30% apts.; 22% GA; 29% FL; 28% TX. Financing: 0.9 leverage; \$10.6M bank debt to 1/81 at 132% of prime, with cut to 115% of prime possible as debt repaid; Assets pledged. Results: Nov. Q EPS d12c. Shares: Fair recovery speculation at 57% below book value.
- 2 -BAIRD & WARNER (EVAL 12/14/7-ST Mtg.-July FY) Port.: \$47M, 24% nonearn; 4% foreclosed; 32% indust., 17% condos, 15% apts. New commitments. Financing: 1.5 leverage; Bank lines \$32M (\$13M borrowed). Dividends: Paid two of four 3/4c qtrly. from FY'77 income. Results: Jan. Q EPS d59c after 61c loss provision. Converts: Speculative yield. Shares: Buy/hold for low yield & L/T recovery at 61% below book.
- 2 -BANKAMERICA RLTY (EVAL 7/29/7-Prop.&Mtg.-July FY) Port.: \$205M, 20% nonearning; Mix: 45% equity; 27% apts., 20% shop. ctrs., 20% office, 14% hotel. Making new commitments. Financing: 2.4 leverage; \$50M comm. paper, \$27M bank notes, \$26M secured mtgs. Results: Jan. Q EPS 18c. Div. 15c unch. Converts: For yield. Shares: Buy/hold for medium yield & recovery toward book value.
- 2N-BARNES MTG (RTR 12/9/4-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$91M, 75% nonearn; 41% foreclosed; Mix: 50% condo, 12% land; 29% Puerto Rico, 48% Fla. Financing: 2.4 leverage; \$55M bank term loan at 125% of prime, to 12/80. Results: Dec. Q EPS d19c after 22c gains. Shares: Interesting recovery speculation at 76% below book value, no interest overhang. Building out properties.
- 5N-BARNETT MTG (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Self-adm. 4/78. Port.: \$141M, 93% non&low earn; 78% foreclosed. Mix: 23% condos, 26% apts., 22% land. Financing: \$23M neg. equity; New \$76M bank credit at 1% inter., 53% asset pledge, forgive 50% contin. int., permit sub. debt reconstruct. Results: Dec. Q EPS d72c. Bonds: In default 9/76; about 62% of holders take cash or new paper. Shares: Speculative interest if restructuring succeeds.
- 4N-BARNETT-WINSTON (EVAL 9/19/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. 4/1. Port.: \$89M, 85% non&low earn, 69% foreclosed; Mix: 38% apts., 31% land. Financing: \$2.3M neg. equity; bank credit paid down to \$16M via swaps; debent. default 12/76 & 25% seek acceleration. Results: Dec. Q EPS 3c after 39c swap gain. Bonds: In default; proposing \$550 cash or 4 1/2% debent. Shares: Avoid till bonds restructured.
- 2N-BAY COLONY PROP (RTR 8/12/7-Volun Prop-May FY) NON-QUAL TRUST. Self-admin. Port.: \$204M, 60% non- & 13% low earning; 49% foreclosed; 26% undevel. land, 74% completed props.; 18% office, 24% apts. Financing: 7.4 leverage; To restruct. \$92M bank debt into \$24M 3% notes; \$68M 8 1/2% + contin. int. to 5/86. To offer \$1050 new 8 1/2% sr. sub. due 3/89 + 20 shares, for 8 1/2% due 3/81. Results: Nov. Q EPS d7c. Bonds: Exchange offer. Shares: Trading/buy for recovery at 60% below book value.
- 3N-BENEF STD MTG (EVAL 3/7/8-Mtg/Forcl prop-July FY) CAN END REIT. Voting incorp. & name change to Alamand Corp. Self-adm. Port.: \$58M, 65% non- & 7% low-earn; 54% foreclosed; Mix: 30% land, 19% condos, 12% motels. Financing: High leverage; \$31M bank credit to 12/78 at 125% of prime, with possible 4% foregiveness. Results: Oct. Q EPS d6c. Converts: Speculative yield. Shares: Trading, spec. on loss reserve recapture.
- 4N-BRT REALTY (RTR 12/10/3-Prop&Mtg-Nov FY) Port.: \$26M, 65% non- & 7% low-earn; 39% foreclosed; Mi : 42% hotel/motel, 18% condos, 16% land & devel. Financing: 3.3 leverage; \$13.2M at 1/2 of 1% over prime to 7/1/81. Results: Aug. Q EPS d45c after 14c loss provision. Shares: Long recovery.
- 2N-BT MTG INVESTORS (EVAL 12/14/7-LT mtg/prop.-Sep FY) CAN END REIT. Port.: \$149M, 70% nonearn, 35% foreclosed; Mix: 31% apts., 14% land, 10% nursing homes. Financing: \$6M neg. equity; Renego. \$112M bank credit exp. 3/31/78 at min. 4% + contingent int.; Sponsor Bankers Trust N.Y. lends 55% of credit. Results: Dec. Q EPS d5c. Bonds: Speculative yield. Shares: Speculation on sponsor aid.
- 5N-BUILDERS INV (RTR 6/10/4-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$240M, 69% non- & 16% low-earn; 38% held for sale; 29% condos, 24% land. Financing: \$5M neg. equity; \$170M debt at 2% to 9/79, 3% to 9/80, 115% of base rate after, with asset pledge & contingent interest. \$15M payment due 6/78. Swapping assets. Results: Dec. Q EPS \$3.03 after \$3.15 gain. Shares: Avoid; still at mercy of banks.
- 3N-CAMERON-BROWN (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$135M, 81% non- & low-earn; 70% foreclosed; 35% apts., 25% land & devel., 13% condos. Financing: 6.5 leverage; \$101M credit at 4% min. int. to 12/31/78 + up to 125% of prime payable in certificates. First swap \$5M. Results: Sept. Q EPS d38c. Shares: Trading or long term speculation; One trustee buying.
- 3N-CAPITAL MTG (RTR 6/10/4-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$76M, 51% nonearn, 37% foreclosed; Mix: 41% land, 9% condos; 55% MD & VA. Developing land. Financing: \$2M neg. equity; \$46M bank credit at higher of net cash income or 1% to 7/31/78 & 3% to 7/31/79 + conting. int.; 239T conv. pref. shares issued for conting. int. Results: Dec. Q EPS 11c after 9c loss provision & 49c gain. Converts: Speculative yield. Shares: Trading/limited recovery.



## RELATIVE APPEAL RANKINGS-Continued from page 3

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 2N-CENTRAL MTG (RTR 12/9/4-ST mtg.-Mar FY) Port.: \$27M, 37% non- & 12% low earn; 34% foreclosed; 31% land, 31% apts., 20% comcl. & indust. Financing: 1.7 leverage; \$17M bank credit to 4/78 at 117% of prime; Neg. for new borrowing. Results: Dec. Q EPS 4c after 11c interest recovery. Shares: Buy/hold for LT recovery at 60% below book value & potential benefits of new investments. Selling land.
- 4N-CHASE MANHATTAN MTG (EVAL 3/7/8-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Port.: \$311M, 94% nonearn; 7% held for sale. Reorg. as realty owner-operator, gave sale option on Palmas del Mar resort, P. Rico. Financing: \$8M neg. equity; bank debt \$157M; \$160M bank loan to 12/31/81 at 6% inter. Results: Nov. Q EPS \$1.69 after 3c gain. Bonds: Hold; new 11-5/8% convt. debbs. spec. buy and marginable. Shares: Very speculative trading, debt restructuring benefits behind. Expect repayment of \$37M 7-7/8% sr. debt 5/1/78.
- 4N-CI MTG GROUP (EVAL 3/7/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Port.: \$267M, 89% nonearn, 56% foreclosed; Mix: 45% apts., 16% office, 15% land, 11% condos. Financing: \$12M neg. equity; \$230M bank credit at 2% cash interest (but accrued at 3 3/4%), increasing to 6% at maturity 6/30/80; June '77 principal repayment missed & negotiating; all assets pledged. Results: Oct. Q EPS \$1.50 after \$1.05 loss provision. Oct. FY \$1.97, no aud. opin. '77. Shares: Trading speculation on bank concessions; Now Philadelphia SE.
- 2N-CI REALTY INV (EVAL 8/8/7-Volun prop-Feb FY) NON-QUAL TRUST. Port.: \$113M, 8% nonearn, 8% foreclosed; Mix: 86% ownership, 6% mtgs.; 44% apts., 48% NYC office; one building now fully leased. Financing: 1.6 leverage; \$71M debt is \$53M mtgs. on property, \$17M bank credit to 1/31/79 at 130% prime. Results: Nov. Q EPS d8c. Shares: NYC office market play; 12% bought by group; may change charter to diversify.
- 3N-CITINATIONAL DEV (No review-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Port.: \$10M, Sold \$3M condo, 92% non- & low-earn; 92% foreclosed. Mix: 30% office, 28% 1-family. Financing: 0.5 leverage; \$3M debt to parent bank at prime. Results: Sept. Q EPS 1/2c. Shares: Limited interest.
- 5N-CITIZENS & SO RLTY (EVAL 3/7/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Port.: \$279M, 50% non & low-earn; 33% foreclosed; Mix: 12% condos, 18% land, 26% apts.; 37% GA, 25% FL. Financing: \$14M neg. equity; \$191M bank credit accruing at 1% cash inter. to 9/78, missed 4/77 debent. int. Planned deb. exch. or cash at 35 held up by SEC. Results: Dec. Q EPS 25c after 30c gain on settlement with adviser. Bonds: In default; Tender/exchange pending. Shares: Avoid or spec. on exch. offer success; SEC probing dealings with adviser.
- ↑ 3N-CITIZENS GROWTH (RTR 2/10/8-Prop-Jan FY) NON-QUAL TRUST. Port.: \$12M, 46% nonearn; 21% foreclosed. Mix: heaviest motels & land. Financing: 0.6 leverage; \$1.5M bank credit to 7/80 at 5%, reduced to 4% upon \$200T repayment; assets pledged. Swaps cut debt. Results: Oct. Q EPS d8c after 6c swap gain. Shares: Buy/hold moderate LT recovery; broker group bought 16% of shares.
- 4N-CITIZENS MIT (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$75M, 59% non- & 16% low-earn; 68% foreclosed; Mix: 36% land & devel., 15% condos, 21% apts. Financing: \$21M neg. equity; \$60M bank loan expired 10/76; Proposes swapping most assets for bank debt & tender at 40 for notes, now set for spring 1978. Results: Sep. Q EPS d67c after 20c loss prov. credit. Subor. notes: In default & 15% of holders seek acceleration. Shares: High risk restructuring speculation; Potential dilution.
- 2N-CLEVETRUST RLTY (EVAL 12/14/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$105M, 48% non- & 19% low-earn; 52% foreclosed; Mix: 68% equity incl. foreclosed; 27% apts., 27% comcl., 18% land, 17% office. Financing: 2.6 leverage; \$44M bank credit to 12/78 at prime but not over 7 1/2%; cont. int. 4-6 years. Results: Dec. Q EPS d1c after 16c gain; see '78 profit. Shares: Buy/hold LT recovery at 62% below book value.
- ↑ 4N-COLWELL MTG (RTR 2/13/6-Mtg/Forcl prop-Dec FY) Port.: \$148M, 26% non- & 17% low earn, 55% foreclosed & refinanced; 38% apts., 14% hotel/motel, 14% shop. ctrs. Financing: Pro forma 9.3 leverage, \$109M bank debt; pre-planned Ch. XI. filed 2/21/8 giving banks 8% int. with debent. getting 40% of par + preferred. Results: Sep. Q EPS d66c. Bonds: Default 3/77. Shares: Buy if court OKs Ch. XI plan.
- 1 -CONN GEN M&R (EVAL 12/14/7-Prop & Mtg.-Mar FY) Port.: \$320M, 5% non & 5% low-earn, 9% foreclosed; 37% regional shop. ctr., 31% residen., 15% industrial, 13% office. Financing: 1.9 leverage; \$209M debt; \$20M 15-yr notes at 8 3/4% & \$50M 7-yr., 16% mtgs., 37% converts. Results: Dec. Q EPS 32c, CFS 44c; Div. 40c unch. but rise possible. Converts: Low, safe yield. Shares: Buy/hold long term.
- 4 -CONSOL CAP RL (EVAL 8/8/7-Property-Nov FY) Port.: \$133M, 0 nonearn; 80% apts. with 8,712 units, 16% shop. ctrs.; 58% Texas. Financing: 2.4 leverage, \$93M secured mtgs. Results: Nov. Q EPS d7c; Aug. CFS 24c before gain. Div. Mar. monthly 17c unch. & about 100% capital gains or taxfree capital return. Shares: Speculative income, over book.
- 3 -CONT ILL PROP (EVAL 8/8/7-Property-Oct FY) Port.: \$189M, 0.3% foreclosed & nonearn; Mix: 53% apts., 39% shop. ctrs. Bought \$49M Watergate apts. in Nov. Financing: 0.9 leverage; \$29M bank lines and \$83M mortgages on property. Results: Oct. Q EPS 10c; CFS 26c. Div. 32c unch. Shares: Limited near-term upside; Yield and some longer term appreciation.
- 3N-CONT ILL RLTY (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) CAN END REIT. Port.: \$160M, 56% non & 15% low-earn; 39% foreclosed; Mix: 12% condos, 17% apts., 38% land. Financing: High leverage; Bank debt cut to \$83M at 1% minimum inter. or net income + contingent interest at 130% prime, to 4/30/78; swap program cut debt. Results: Dec. Q EPS 66c after \$1.52 gain & 82c loss prov. See breakeven FY'78. Bonds: Tender/swapout spec. Shares: Hold for long recovery, possible success as owner/developer.
- 5N-CONTINENTAL MTG (RTR 11/11/4-mtg/Forcl prop-Mar FY) NON-QUAL TRUST. No financial statements since Dec'76. Latest data: Port.: \$605M, 91% problem. Financing: \$72M neg. equity; Total debt \$578M; Filed Ch. XI 3/8/76 & liquidation ordered but stayed by Chapter X filing 10/22/76. Results: No recent reports. Bonds & shares: Avoid, protracted litigation.
- 4N-COUSINS MTG&EQ (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Self-adm. Port.: \$168M, 64% nonearn; 51% foreclosed; Mix: 21% apts., 42% land/devel., 20% hotel/motel. Financing: High leverage; \$98M bank credit at net income or 2% inter., plus contingent inter.; extended to at least 12/31/79. Results: Nov. Q EPS d10c after 66c gain. Bonds & shares: Trading speculation on loss reserve recovery & land sales.
- 2 -DENVER REIA (RTR 10/14/7-Property-Dec FY) Port.: \$49M. Mix, by revenues: 15% apts., 22% shop. ctrs., 14% motel, 44% office & commercial, 5% mtgs.; all Colo. Financing: 4.6 leverage; \$30M property mortgages, \$5M debentures. Results: Sep. Q EPS 18c; CFS 32c. Mar. div. 18c up 20%; '76 div. 35% tax-free. Shares: Buy/hold for income and growth; substantial improvement in '78 cash flow.
- ↑ 1N-DIVERSIFIED MI (EVAL 9/21/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$236M, 70% nonearn, 25% foreclosed; Mix: 45% secondary & 7% primary homesites, 21% raw land, 15% LT mtgs. Largest loan repaid. Financing: 0.7 leverage; Borrowed \$44M from Con. Ill. Bank to buy back other bank debt at discount. Results: Dec. Q EPS \$2.81 after \$2.85 gain; Dec. FY EPS \$2.43 after \$4.28 gain. Mar. Q gain expected. Shares: Long term recovery speculation buy at 68% below boosted \$8.60 book value; Insider buying.
- 5N-DOMINION M&R (No review-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Self-adm. Port.: \$35M, 41% non- & 45% low-earn, 79% foreclosed; Mix: 1/3 condos (mostly FL), 1/3 apts. Financing: \$7M neg. equity; Total debt \$35M; Chapter XI filed 6/28/77; Results: Nov. Q EPS d24c after 2c loss prov. Bonds & shares: Avoid but cash is accumulating during bankruptcy.
- 3 -EQUIT LF MTG (EVAL 12/14/7-LT mtg.-Oct FY) Port.: \$381M, 10% nonearning; 33% LT mtgs., 58% ST const. & devel.; Expanding ST; Mix: 29% shop. ctrs., 18% tracts & land. Financing: 1.8 leverage; \$245M debt is 55% comm. paper, 21% term notes, 20% short-term notes, 2% conv. Results: Jan. Q EPS 48c. Div. 55c plus 20c special. Shares & bonds: Hold, EPS vulnerable to short term interest rates.
- 2 -FEDERAL RLTY (EVAL 8/8/7-Property-Dec FY) Self-administered. Port.: \$30M, no nonearning; cash flow 20% apartments, 80% shopping centers; Wash., D.C. area. Financing: 1.0 leverage; \$12.7M debt, 99% secured mtgs.; Results: Dec. Q EPS 43c; Sep. CFS 29c; Dec. div. 32c. Shares: Buy/hold income and modest growth.
- 4N-FIDELCO GROW (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$133M, 84% nonearn; 53% foreclosed; Mix: 25% land (developed & raw), 33% condos, 14% apts.; 30% Penn., 25% Fla. Financing: 9.6 leverage, \$97M bank credit to 11/30/78 at 125% prime with 5% cash and asset swap; Interest forgiveness possible. Results: Nov. Q EPS d\$3.94. Nov. FY EPS d\$9.34. Shares: Speculation on sponsor aid, interest forgiveness.
- 4N-FIRST COMMERCE (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) CAN END REIT. Port.: \$33M, 56% non- & 33% low-earn; 69% foreclosed; Mix: 66% land, 8% condos & singles; 58% LA, 42% other South. Financing: 1.3 leverage; \$20M credit at 117% prime to 11/77 being extended. Results: Dec. Q EPS 2c after 8c credit. Shares: Unattractive till progress shown.



## RELATIVE APPEAL RANKINGS-Continued from page 4

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 2 -FIRST CONTNL (RTR 2/11/7-ST mtg.-Feb FY) Port.: \$41M, 12% nonearn, 7% foreclosed; Mix: 51% const. loans, 38% development, 10% land; 86% Texas. Financing: 1.1 leverage; \$32M bank lines at 1/2% over prime, 10% + 10% balances, to 7/78; must pledge assets equal to debt if demanded. Results: Nov. Q EPS 23c; div. 23c. Making new commitments. Shares: Hold speculative income & recovery.
- 3N-FIRST DENVR MI (RTR 10/14/4-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$63M, 56% nonearn; 31% foreclosed; Mix: 18% land, 19% condos-secondary, 11% condos-primary, 14% motels. Financing: 4.2 leverage; assets pledged; \$53M bank debt to 3/31/78; Negotiating new 3 yr. agreement tying interest to cash flow. Results: Dec. Q EPS \$2.56 after \$2.53 swap gain. Shares: Trading, recovery speculation.
- 3 -FIRST FIDELITY (EVAL 8/8/7-Property-Nov FY) Port.: \$31M, Est. 10% nonearn; Mix: 53% shop. ctrs., 33% office. Financing: 2.3 leverage; \$20M secured mts. Results: Aug. Q EPS 15c; CFS 15c. Dec. div. 10c. Shares: To liquidate, speculation on obtaining most of/more than \$10.54/sh. book value. One group owns 9% of shares.
- 4N-FIRST MEMPHIS (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$72M, 37% non- & 31% low-earn; 56% foreclosed; Mix: 16% land, 4% condos & singles, 19% offices, 11% industrial, 11% hotels, 30% apts. Financing: 14.1 leverage; \$46M bank credit at 2% + contingent interest to 11/30/78, swapping assets. Results: Nov. Q EPS 1c after 10c gain; Nov. FY d69c after 33c gain. Shares: Speculative till workout progresses.
- 5N-FIRST MTG IN (RTR 6/10/4-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-adm. Port.: \$417M, 44% non- & 34% low-earn; 60% foreclosed; Mix: 34% hotel/motel, 22% apts., 16% land, 10% condos. Financing: \$49M neg. common equity; \$244M credit at 1 1/2% or net income; Most 8% due 7/77 exchanged for cash or new debt. Results: Oct. Q EPS 34c after 57c gain. No auditor's opinion 1/77. Bonds: For asset swaps. Shares: Avoid, high risk.
- 3N-FIRST NEWPORT RL (EVAL 9/19/7-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$127M, 45% non- & 24% low-earn; 46% foreclosed; Mix: 30% condos, 13% apts, 20% hotel/motel. Financing: 9.2 leverage; \$72M bank debt at higher of 1% or net cash income to 11/78, plus contingent int. Results: Oct. Q EPS d78c after 67c loss prov. Bonds: Hold. Shares: Long hard recovery ahead even at 66% below book value.
- 3N-FIRST PENN MT (RTR 10/14/4-Mtg/Forcl prop-July FY) NON-QUAL TRUST. Port.: \$174M, 80% nonearn, 64% foreclosed; Mix: Heavy condos, comcl. & indust. land; 21% Fla. Financing: 21.7 leverage; \$95M bank debt at 3% cash + accrual at prime expired 2/78. Neg. new credit. Asset swap. Results: Jan. Q EPS d2c after \$1.43 swap & sale gains. Converts: Mar. 1 payment delayed. Shares: Trading, book value falling.
- 2 -FIRST UNION (EVAL 6/17/7-Property-Oct FY) Port.: \$183M, 9% low earn; Mix: 70% major office, 25% shop. ctrs.; Bought \$9M offices; internally managed. Financing: 3.0 leverage; \$140M debt: 76% secured mtg., 13% short, 11% conv.; \$10M preferred. Results: Oct. Q EPS 21c; CFS 29c; Jan. div. 26c. Shares & Bonds: Buy for quality income. Pres./main deal man resigned.
- 3N-FIRST VIRGINIA (EVAL 9/21/7-Mtg/Forcl prop- Jun FY) NON-QUAL TRUST. Self-adm. Port.: \$71M, 45% non- & 7% low-earn; 51% foreclosed. Mix: (Foreclosures) 31% condos, 23% land; 37% Va., 34% Fla. Financing: 8.1 leverage; \$32M bank credit to 12/79 accruing at 4% + contingency to 125% prime. Pledged assets. Results: Dec. Q EPS \$2.85 after 5c gain & \$2.90 loss prov. recovery. Bonds: Hold. Shares: Hold for modest recovery.
- 4N-FIRST WISCONSIN MT (No review-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$145M, 53% non- & 42% low-earn; 76% foreclosed; Mix: 24% condos, 33% apts., 26% land; 43% southeast, 29% midwest. Financing: 10.9 leverage, \$103M bank debt at 1% or net income to 5/80. Results: Sep. Q EPS d19c after 30c loss provision. One bank took 78,000 equity shares in lieu of contingent interest. Shares: Long recovery, some dilution.
- 2N-FLATLEY RLTY (EVAL 8/8/7-Prop&Mtg.-June FY) Self-adm. Port.: \$20M, 40% non- & low-earn; 40% foreclosed; Mix: 39% apts., 51% shop. ctrs.; 94% Mass. Seeking new investments. Holdings: 95% equity, 5% loans. Financing: 2.1 leverage, \$14M debt is 86% secured mtgs. Results: Sep. Q EPS 3c. Shares: Buy pending workout progress, recovery toward book value possible.
- 2 -FLORIDA GULF (EVAL 8/8/7-Property-Apr FY) Port.: \$31M; Most Grant space filled. Bought new shop. ctr. Mix: 93% shop. ctrs. (strip), 7% offices; 92% Fla. Financing: 1.2 leverage; \$17M secured mtgs., \$0.05M bank debt. Results: Jan. Q EPS 20c; CFS 39c; div. 32c, 55% tax-free; 68% of Grant rents replaced. Shares: Buy for yield & modest growth in overage rents and new properties.
- 3N-FRANKLIN RLTY (EVAL 8/26/7-Volun Prop-June FY) NON-QUAL TRUST, mgmt. services. Port.: \$34M, vacancies falling; Mix: 85% equity, 15% mtgs. Equities: 13 offices midwest & Fla., 5 apts., 2 motels, 1 land tract. Financing: 3.8 leverage; \$28M debt: 63% secured, 19% short, 18% conv. Results: Dec. Q EPS 24c after 3c gain. Converts: Hold. Shares: Hold for earnings improvement, expanding real estate services.
- 2 -FRASER MTG (EVAL 12/14/7-ST mtg.-May FY) Port.: \$51M, 15% problems; Mix: 10% const., 12% land, 25% completed projects, 41% long-term, 11% foreclosures; 31% Ohio, 25% Fla. Financing: 2.3 leverage; \$39M debt short term. Results: Nov. Q EPS 25c; Div 25c. Making new investments. Granted option at profit for large foreclosed land. Shares: Hold for recovery; Block of 8% bought.
- 3N-GMR PROP (formerly GULF) (EVAL 1/31/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Port.: \$94M, 42% non- & 26% low earn; 57% foreclosed; Mix: 26% apts., 23% land, 17% motels, 76% Southeast. Financing: 9.1 leverage; \$40M bank credit to 7/17/78 accruing at prime, payable 4% cash plus notes; + contng. inter. to 125% prime for 5 yrs. Results: Nov Q EPS d18c after 18c loss prov. & 19c swap gain. Bonds: Hold for now. Shares: Recovery speculation.
- 1 -GENERAL GROW (EVAL 8/26/7-Property-Sep FY) Port.: \$275M, 0 problems; Mix: 74% shop. ctrs. (Major Midwestern malls), 18% apts., 8% motels. Financing: 5.7 leverage; \$228M debt: 88% secured mtgs.; Sold \$25M 9-1/8% 20-yr notes 4/77. Results: Dec. Q EPS 37c; CFS 43c. Div. 37c, about 60% tax-free. Shares: Buy on dips, unique development ability.
- 3 -GOULD INVST (EVAL 8/26/7-Property-Sep FY) Port.: \$38M, 2% nonearning; Holdings: 84% equity. Properties: NYC office (19% of port.), 5 apts., 15 strip ctrs, 8 restaurants, 2 offices. Financing: 3.8 leverage; 88% secured mtgs. Results: Dec. Q CFS 21c after 6c extra amort., before 16c cap. gain + 4c settle. gain; EPS 37c after 20c gains. Div. 20c, up 18%. Shares: Speculative income hold.
- 3 -GREIT RLTY (EVAL 8/26/7-Property-Oct FY) Port.: \$36M, 2% nonearning; Mix: 60% shop. ctrs., 30% offices & urban stores, 8% apts., 2% mtgs. Financing: 2.3 leverage; \$25M debt, all secured mtgs. Results: Jan. Q EPS 14c; Jan. div. 10c; Oct. Q EPS 22c; Oct. FY EPS 69c. Shares: Hold for speculative income and re-leasing of vacant Dayton office space.
- 5N-GRT AMER M&I (RTR 3/11/4-Mtg/Forcl prop-Jul FY) NON-QUAL TRUST. Self-adm. Port.: \$335M, 95% nonearning; Mix: 82% foreclosed, 41% apts., 15% condos, 20% land. Financing: Total debt \$320M; \$56M neg. equity; Filed Chap. XI 3/77; Proposed plan: secure assets for senior creditors + equity for cash int.; deben. exch. Results: Oct. Q EPS d16c; foreclosures now earning. Bonds: Avoid, Shares: Risky but properties now cash-flow positive.
- 5N-GUARDIAN MI (RTR 3/12/6-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Self-admin. Port.: \$247M, 65% nonearn, 37% foreclosed; Mix: 48% land, 15% condos, 28% income-prod. prop. Financing: \$40M Neg. equity; \$204M bank credit restructure proposed Dec. 20 but banks silent so far. Results: Nov Q EPS d\$1.18 after 74c loss prov. & 45c gain. Bonds: Inter. default 6/77; Hold, exchange candidate. Shares: Hold; Avoid new buys.
- 2N-HAMILTON INV (RTR 11/12/3-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$86M, 29% non- & 12% low earn, 30% foreclosed; Mix: 58% apts., 17% offices, 11% land; 34% Okla., 16% Fla. Financing: 4.6 leverage; \$54M credit to 6/78 @ 3% or net income w/contingent inter. to 130% prime. Swaps cutting debt fast. Results: Sep. Q EPS 20c after 57c swap gain & 21c loss prov. Shares: Recovery spec. at 66% below book.
- 2N-HANOVER SQ RL (RTR 12/10/6-ST mtg.-Aug FY) Port.: \$35M, 20% nonearn, 29% low-earn; 33% foreclosed; Mix: 68% residential, 17% shop. ctrs., 10% land; 48% Northeast; Making new commitments. Financing: 2.1 leverage, \$28M credit @ 124% prime. Results: Nov. Q EPS 31c after 37c gain & 5c int. recovery. Converts: Speculative income buy. Shares: Buy/hold for recovery.
- 3N-HEITMAN MTG (RTR 11/11/4-Mtg/Forcl prop-Dec FY) Port.: \$147M, 49% non- & low-earn; 15% foreclosed; Mix: 32% shop. ctrs., 19% condos, 14% offices, 17% land; 30% Ill., 9% other Midwest, 14% Cal. Financing: 10.2 leverage; \$84M debt to 4/78 accruing at prime (Payable 4% in cash) w/contng. interest; Results: Sep. Q EPS d50c after loss prov. Converts: Higher risk hold. Shares: Recovery speculation.



## RELATIVE APPEAL RANKINGS-Continued from page 5

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 1 -HOSPITAL MTG (EVAL 9/21/7-LT mtg.-Feb FY) Port.: \$38M, 42% nonearn; 2% foreclosed; Mix 34% medical, 24% land, 19% apts., 17% condos; 2/3 Fla. Swapped two minority participations for 133 ac. in Houston. Financing: 0.5 leverage; \$9M bank debt; \$3M mtg. Results: Nov. Q EPS 13c; Feb. div. 15c. Shares: Buy for 6% yield and long recovery at 61% below book value.
- 3 -HOTEL INVESTOR (EVAL 9/21/7-Property-Aug FY) Self-adm. Port.: \$78M, 9% nonearn; 4% foreclosed; 51% equity/49% LT mtgs.; Mix: All hotels/motels, most national franchises; comcl. business travel oriented. Financing: 1.8 leverage; \$50M debt; 33% secured mtg., 34% long-term; \$18M credit to 12/31/80 at 125% prime. Results: Nov. Q EPS 40c; CFS 53c; div. 42c. Shares & Bonds: Buy/hold income. Occupancy & room rates up.
- 2 -HUBBARD REI (EVAL 6/17/7-Property-Oct FY) Port.: \$84M, E5% nonearning due to Grant vacancies. Mix: All shopping centers & food stores except one office; Net lessees: 20% Safeway, 17% Ashland Oil, 17% Chrysler. Financing: 97% equity. Results: Jan. Q EPS 38c; Div. 33c up 3%; 8% of 10 Grant stores now re-leased, 1 1/2 still vacant. Shares: Buy for dividend increase prospects.
- 2N-ICM REALTY (EVAL 9/21/7-Subor. land-Nov FY) Port.: \$104M, 58% non- & low-earn; 37% foreclosed; Mix: 50% apts., 26% shop. ctrs., 15% land 6% offices; 39% land purch.-leasebacks; Financing: 1.1 leverage; \$46M debt; 54% secured mtgs., \$22M credit to 2/79 at 120% prime + 15% bal. Results: Nov. Q EPS 37c after 15c gain. Paid 23.6c div. from FY '77. Shares: Buy/hold for long term recovery.
- 4N-IDS REALTY TR (RTR 6/10/4-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Port.: \$214M, 72% nonearn; 52% foreclosed; Mix: 33% shop. ctrs., 28% land, Financing: \$24M Neg. equity; Sponsor loaned \$25M to settle \$68M bank debt at 20% discount. Results: Oct. Q EPS \$5.56 after \$5.60 extraord. gains on debt retirement. Bonds: Plans to offer 80% of par for \$42M debent. Shares: High risk speculation; positive equity possible.
- 5N-INDEPENDENCE MTG (No Review-Mtg/Forcl prop-Jun FY) NON-QUAL TRUST. Port.: \$134M, 88% non- & low-earn; 64% foreclosed; Mix: 23% condos; 26% devel.; 16% Fla., 12% Texas, 14% Va., 13% Ill., 9% Ga. Financing: \$10M neg. equity; \$83M credit accruing at 1% w/conting. int & 110% collateral, to 6/1/79. Results: Dec. Q EPS d1c. Shares: Avoid.
- 2N-INDIANA M&R (EVAL 9/21/7-Prop&Mtg-Jun FY) Port.: \$67M, 29% non-earn; 11% foreclosed; Mix of \$28M Mtgs: 57% land, 17% apts. & condos; of \$39M equities & foreclosures: 34% offices, 34% apts., 28% shop. ctrs. Financing: 5.5 leverage; \$53 debt; \$36M credit to 9/78 @ 6% + 120% prime contingent interest. Results: Dec. Q EPS d2c after 13c loss prov. recovery; CFS 10c. Shares: Hold for improvement.
- 4N-INSTITUT INV (RTR 1/13/6-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-admin. Port.: \$138M, 55% nonearn; 33% low; 48% foreclosed. Mix: 21% apts., 17% condos, 38% land; 21% Fla., 9% Cal., 8% Tex. Financing: 3.6 leverage; \$63M credit to 5/78 accruing @ 129% prime (1% paid in cash, rest deferred). Results: Oct. Q EPS d29c after 3c gain & 16c loss prov.; Expect 21c profit in Jan Q from interest forgiveness. Bonds: Trading & speculative income. Shares: Trading; Insiders buying.
- 2 -INVESTOR RLTY (RTR 12/9/7-Prop&Mtg.-Nov FY) CAN END REIT. Port.: \$57M, 32% non-earn. Mix: 54% apts., 15% shop. ctrs.; type: 86% owned incl. foreclosures & leasebacks. Financing: 2.6 leverage; \$42M debt, 73% secured; \$17M bank credit to 3/78. Results: Nov. Q EPS 51c after 90c gain; CFS 64c after 90c gain. Other sales pending. Mar. div 12c unch. Shares: Attractive long-term recovery.
- 2 - JMB REALTY (EVAL 9/21/7-Subor. land-Aug. FY) Port.: \$24M, 2% nonearn; Mix: 49% apts., 17% office, 17% shop. Ctrs.; 53% wrap-around mtgs., 17% land leasebacks; Financing: 1.5 leverage; \$4M open lines from bank; Results: Nov. Q EPS 46c; Nov. Div. 40c. Shares: Hold for speculative yield.
- 3N-KENTUCKY PROP (was KMC) (RTR 5/14/3-Mtg/forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$29M, 42% non- & 20% low earn; 37% foreclosed; Mix: 23% apts., 25% land & devel.; 17% condo; 54% Kentucky. Financing: 9.0 leverage; \$18.5M credit to 5/1/78 at prime, 3% cash, balance deferred. Results: Aug. Q EPS d27c. \$2.6M swap in Nov. Shares: Situation believed improving; Private investor bought 9% of shares.
- 3N-LMI INVESTORS (RTR 2/13/6-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$119M, 38% non- & 58% low-earn; 55% foreclosed. Mix: 37% apts., 13% condos, 16% shop. ctrs., 11% land, 28% Texas. Financing: 5.5 lev.; \$74M credit 12/81 w/inter. accrued at prime payable at 2% or cash flow; pledging assets. Results: Dec. Q EPS \$3.77 after \$3.94 interest forgiveness & 7c swap gain. Bonds: Risky yield. Shares: Improved speculation.
- 5N-LIFETIME COMMUNITIES, INC. (Formerly Fidelity) (No Review-Mtg/Forcl prop-Oct FY) Corporation. Port.: \$163M, 80% nonearn, 59% foreclosed. Settlement: Court approved Chap. XI emergence Jan. 5, 1978; Banks get 65% of \$163M debt over 6 yrs. + 47% of stock; sub. debt gets 10% + 15% of par + 5.2% of stock; 7.2 leverage; \$2.25/sh. book value. Results: Oct. Q EPS 7c after 4c tax benefit; Oct. FY EPS 94c after 47c tax benefit. Shares: High risk.
- 3N-LINCOLN MTG (RTR 12/10/3-Mtg-Forcl prop-Mar FY) NON-QUAL TRUST. Self-admin. Port.: \$28M, 77% non & low earn; 68% foreclosed; Mix: 70% apts. Financing: High leverage; \$8.3M bank credit left @ 1/2 over prime, due 12/78. Results: Sep. Q EPS d34c; 35c gain on asset sale due in Dec. Bonds & shares: Speculation on asset sales to repay banks.
- 2 -LOMAS & NETTLETON MTG (EVAL 6/17/7-ST mtg.-June FY) Port.: \$246M, 20% nonearn; 21% foreclosed; Making new loans; Mix: 28% land acq. & devel., 45% Texas. Financing: 1.4 leverage; Borrowers short & L/T from banks; All debt interest floats with prime. Results: Dec. Q EPS 42c; Div. 42c, 85% tax-free in FY'77. Shares: Buy/hold longer term recovery potential; Little rate exposure, see \$10-\$15M nonearn. drop.
- 3 -M&T MTG INV (RTR 2/11/7-ST mtg.-Aug FY) Port.: \$45M, 1% foreclosed; Making new loans; Mix: 71% const. & devel., 22% 1-family permanent; all Texas. Financing: 1.9 leverage; \$30M bank borrowings, all secured; sponsor provides compensating balances; \$14.6M unfunded commitments.; Results: Nov. Q EPS 28c unch. Shares: Buy for stable yield.
- 2N-MARYLAND RLTY (RTR 4/8/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$20M, 33% non- & 8% low-earn; 40% foreclosed; Mix: 33% apts., 31% land, 19% condos; All Fla. & GA. Financing: 1.8 leverage; \$12.6M credit at prime + 1/2 to 11/78; prime + 3/4 in FY'79; Assets pledged. Results: Nov. Q EPS 8c. Shares: Recovery speculation. Looking for \$2M new investments.
- 2 -MASSMUTUAL MTG (EVAL 1/31/8-LT mtg.-Oct FY) Port.: \$189M, 12% non- & 5% low-earning; 12% foreclosed; Mix: 37% shop. ctr. & retail, 26% apts.; 78% Long-term mtgs. New Commitments. Financing: 1.1 leverage; Small interest rate exposure. \$22M master notes; \$10M term loans; \$71 1/2M subor. convert. debts. Results: Oct. Q EPS 33c after 2c gain; Div 31c. Converts: Safe yield. Shares: Buy/hold at 29% below book value.
- 5N-METROPLEX RLTY (was Justice) (RTR 3/12/6-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$26M, 100% nonearn; 56% foreclosed; Mix: Mainly land & lots. Financing: Filed Ch. XI 12/77. High leverage; \$4M bank debt out at 12/31/77+ \$9.6M 7 3/4% sub. debts; assets pledged & some swapped; 2/1/77 sub. debt inter. missed & 25% of holders called debt. Results: Sep. Q EPS unaudited d19c after \$1.77 gain; Sep. FY EPS unaudited \$2.67 after \$7.49 gain. Bonds & Shares: Avoid.
- 3N-MIDLAND MTG (RTR 3/12/6-Mtg/Forcl prop-June FY) CAN END REIT. Port.: \$47M, 63% non- & low-earning; Mix: 20% apts., 20% condo, 40% land. Financing: High leverage; Swaps cut bank debt to \$13M, due 8/78 with interest accruing at 4% or net cash flow. Results: Dec. Q EPS d9c after 47c gain. Bonds: Offering to exch. new 4% debts. plus shares. Shares: Trading interest; One broker bought 6.8% of shares.
- 2 -MILLER HENRY S (EVAL 9/21/7-Prop&Mtg.-Feb FY) Port.: \$28M, 12% nonearn; 10% foreclosed; Mix: 56% shop. ctrs. owned, 23 1/2% land; Mostly Texas. Financing: 2.0 leverage incl. mtgs.; \$6M bank borrowings at 1/2 over prime to June 1, '78; \$12.6M mtgs. on prop. Results: Nov. Q EPS 4c after 18c loss prov.; Div. 20c. Selling two offices. Shares: Buy for long-term recovery; Operating trend up.
- 4N-MISSION INV (RTR 11/12/3-Mtg/Forcl prop-Nov FY) CAN END REIT. Self-adm. Port.: \$32M, 38% non % 25% low earn; 50% foreclosed; Mix: 35% land & devel., 24% residential, 42% commercial. Financing: 2.1 leverage; \$18M bank credit at prime (max 8 1/2%) to Nov. '79; Assets pledged. Results: Nov. Q EPS d13c; Nov. FY EPS d43c. Shares: Trading/very long recovery; No concessions from banks.
- 2 -MONY MTG INV (EVAL 1/31/8-LT mtg.-May FY) Port.: \$211M, 14% non- & low-earn; 3% foreclosed; Mix: 37% office, 30% multifamily, 15% shop. ctrs.; 46% LT mtgs.; Making new commitments. Financing: 1.5 leverage; \$100M bank lines at prime; \$57M comcl. paper; Results: Nov. Q EPS 16c; See Feb. Q flat. Div. 23c. Convertibles: Safe yield. Shares: Hold; Small dividend cut possible.



## RELATIVE APPEAL RANKINGS-Continued from page 6

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status &amp; mix; Financing; Latest EPS results, dividends &amp; advice

- 2 -MORTGAGE GROWTH (EVAL 1/31/8-Prop&mtg.-Nov. FY) Port.: \$39M, 19% nonearn, 55% low earn; 19% foreclosed; Mix: 60% apts., 22% office; 33% Calif. Financing: 0.5 leverage; Debt is \$8.5M 7-3/4% subor. converts held privately & \$4M secured mtgs; Results: Nov. Q EPS 8c; Gross cash flow 15c; Nov. FY EPS 23c; Dec. div. 12c. Slightly improving trend. Shares: Spec. buy/hold for long-term recovery.
- 3N-MTG INV WASHINGTON (6/10/4-ST mtg.-Mar FY) NON-QUAL TRUST. Port.: \$71M, 55% non- & 1% low earn; 30% foreclosed; Mix: 20% hotel/motel; 14% shop. ctr; 16% condo/townhouse; Financing: 4.4 leverage; \$31M bank debt at 11 1/2% of 1/2 over prime, to 12/15/78; Results: Dec. Q EPS \$1.14. Bonds: Risky yield. Shares: Trading, recovery potential.
- 3N-MTG TRUST OF AMER (RTR 8/27/6-ST mtg.-Nov. FY) Port.: \$123M, 60% non- & 12% low earn; 34% foreclosed; Mix: 20% land & devel., 25% condos, 20% apts.; 17% Calif.; Financing: 1.6 leverage; \$66M bank credit lines at full-rate interest; Seeking limited amount of new credit. Results: Nov. Q EPS 25c after 7c loss provision credit & 9c sale gain. Shares: Hold for recovery.
- 5N-NATIONAL MTG (RTR 5/14/3-Mtg/Forcl prop-Feb. FY) NON-QUAL TRUST. Port.: \$38M, 85% non- & 12% low earn; 59% foreclosed; Mix: 55% land, 13% commercial; Financing: 2.5 leverage; \$14M secured credit; Chapter XI settlement confirmed & deb. holders got cash, new notes & shares. Results: Nov. Q EPS 0c after 13c gain & 7c loss prov. Shares: Extreme risk that land holdings will be difficult to market.
- 3 -NATIONWIDE RE (EVAL 6/17/7-ST mtg.-Mar FY) Port.: \$42M, 37% non-earn; 25% foreclosed; Adding new loans, Mix: 21% medical, 16% condos, 11% land; 30% Ohio, 17% Indiana; Financing: 0.8 leverage; Reduced bank lines to \$16M; Results: Dec. Q EPS 4c. Div. 4c. Convertibles: High yield. Shares: Speculative and slow long-term recovery from 69% below book value with nominal yield.
- 2 -NEW PLAN REALTY (EVAL 8/26/7-Property-July FY) Self-admin. Port.: \$18M, 0% non-earning; Mix: 71% shop. ctrs. owned, 14% residential. Bought 110T sf shop. ctr. NY. Financing: 2.2 leverage; Debt 78% mtgs. on prop., 21% sub deben. Results: Oct. Q EPS 38c after 13c cap. gain. Feb. monthly div. 8c. Shares: Buy/hold for improving income.
- 5N-NJB PRIME INV (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-admin. Port.: \$71M, 71% nonearn; 42% foreclosed; Mix: 43% motor lodges/restaurants, 27% condos. Financing: \$6M neg. equity; Proposed swap for all \$38M bank debt; Exchange proposed: \$20 cash for deb. or \$15 + \$35 in new conv. deb. May seek Ch. XI. Results: Nov. Q EPS d48c after 6c loss res. recovery. Bonds & Shares: High risk speculation.
- 2N-NORTH AMER MTG (RTR 8/12/7-Mtg/forcl prop-Dec FY) Port.: \$143M, 49% non- & 45% low-earn; 62% foreclosures; Mix: 48% apts., 25% condos, 8% land & devel. Financing: 2.2 leverage; \$39M demand bank notes. Results: Sep. Q EPS d35c. Bonds: Hold. 41% of 5 1/2% holders took \$12.1M of 10-year debts. at 8 1/2%. Shares: Recovery potential from large apt. holdings.
- 2N-NORTHWESTERN FIN (EVAL 1/31/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$44M, 52% nonearn; 46% foreclosed; Mix: 7% apts., 6% office, 7% land, 44% inter-long; 50% N. Caro. Financing: 0.8 leverage; \$17M revolving bank credit at 1/2 over prime, extended to Aug. 31, '78. Results: Sep. Q EPS d11c. Shares: Recovery and/or liquidation speculation; Broker bought 12.7% of shares, took board seat.
- 2 -NORTHWESTERN MUT LF MTG (EVAL 1/31/8-LT mtg.-Mar FY) Port.: \$233M, 10% non- & 7% low-earn; 12% foreclosed; Mix: 24% office, 24% shop. ctrs., 12% apts.; 61% permanent mtgs. Financing: 1.6 leverage; \$77M open bank lines; \$28M comcl paper. Sold \$50M notes @ 8 1/2% & \$25M @ 8 3/4% due 12/82. Results: Dec. Q EPS 17c; Div. 25c; may be vulnerable. Converts: Safe. Shares: Buy, bad news may be discounted.
- 2 -PACIFIC SOUTHERN (EVAL 1/31/8-LT mtg.-Mar FY) Self-admin. Port.: \$11M, 30% nonearn & foreclosed; Mix: 64% comcl. loans, 30% foreclosed land & condo; 5% leasebacks. Bought commercial prop. Financing: No debt. Results: Dec. Q EPS 15c. Div. Feb. 15c. Legal expenses to cause dividend fluctuation over '78-'79 FY. Shares: LT recovery or buyout candidate plus spec. yield; President bought 5 1/2% of shares.
- 2 -PENNSYLVANIA REIT (EVAL 8/26/7-Property-Aug FY) Port.: \$72M, 0.3% nonearning; Mix: 38% apartments, 36% shopping centers. Financing: 3.1 leverage, 90% mtgs on property owned; borrows under \$6M bank lines. Results: Nov. Q EPS 79c after 48c gain; CFS 47c before gain. Semi-annual div. 62 1/2c. Seeking new investments. Shares: Buy/hold long-term for yield & gains.
- 5N-PLAZA REALTY (EVAL 10/27/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-admin. Port.: \$31M, 73% nonearn; 71% foreclosed; Mix: 45% apts., 16% land, 17% shop. ctrs; 50% equity. Financing: 16.3 leverage, incl. \$16M mtgs.; \$9M credit, to 9/78 at 1% cash, accrued at 125% prime, may drop to 50% if \$3M paid down by 9/78. Missed 9/77 debt repay. & talking. Results: Sep. Q EPS d23c. No auditor's opinion '76. Shares: Avoid or trade only.
- 2 -PNB MTG & RLTY (EVAL 1/31/8-LT mtg.-Sep FY) Port.: \$122M, 12% non & low earning; 11% foreclosed; Mix: 30% LT mtgs., 19% property owned; 34% apts., 24% office & indust., 18% condos. Financing: 1.8 leverage; \$7M bank debt; \$25M comcl paper. Results: Dec. Q EPS 22c. CFS 25c. Div. 20c. Adding new earning assets. Shares: Buy LT recovery at 45% below book value, possible further div. uptick, small interest exposure.
- 3 -PROPERTY CAPITAL (EVAL 6/17/7-Subor. land-July FY) Port.: \$56M, 4% non-earn; Mix: 41% apts., 27% office, 20% shop. ctrs.; 62% leasebacks, 38% LT mtgs. Making new investments. Financing: 1.0 leverage; \$22M bank lines; \$13M borrowed at 1/2 over prime. Results: Jan. Q EPS 30c. Div. 30c. Shares: Buy-hold for yield & long term recovery; Some interest exposure.
- 2 -PROPERTY TRUST OF AMER (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Self-admin. Port.: \$34M, 30% nonearn; 23% mtgs., 22% foreclosed, 62% investment prop; Mix: 35% apts., 27% office, 17% shop ctrs.; 81% Texas. Financing: 0.9 leverage, all \$17M mtgs. on property. Results: Dec. Q EPS 16c after 11c gain; Sep. CFS 5c; Mar. div. 7c, up 1c. Shares: Hold for recovery; Federated Dev. bought 5% of shares & tendering for 335T at \$6.
- 3 -RLTY & MTG OF PACIFIC (RAMPAC) (EVAL 1/31/8-LT mtg.-Nov. FY) Port.: \$82M, 6% non- & 15% low-earn; 17% foreclosed; Mix 68% loans: 26% hotel/motel, 18% office; 31% equity; 4% Calif., 19% Hawaii. Financing: 1.4 leverage; \$40M credit to 11/82; \$20M comm. paper backing and \$20M line @ 115% of prime to 9% maximum. Results: Nov. Q EPS 29c; Div. 30c. Converts & Shares: Hold, vulnerable to interest rates.
- 3 -REIT OF AMERICA (EVAL 6/17/7-Property-Nov FY) Port.: \$46M, Properties 9% vacant overall; Mix: 42% shop. ctrs., 24% office, 19% industrial; 46% Calif., 13% Mass.; Expanding \$11M Sacramento center, substantially leased. Financing: 0.4 leverage, all mtg. debt. Results: Nov. Q EPS 47c incl. 19c capital gain. Jan. div. 30c. Shares: Hold long term improvement of property yield.
- 2 -REALTY INCOME (EVAL 10/27/7-Prop&Mtg.-Apr FY) Self-admin. Port.: \$74M, 25% non- & 17% low-earn; 42% foreclosed; Mix: 19% apts., 31% office. Financing: 3.3 leverage; \$16M under \$23M bank lines at prime; \$20M term at 1 1/2 over prime to '77-80. Results: Oct. Q EPS 1c after 1c gain. Div. 35c, paying cap. gains. Converts: Yield. Shares: Buy/hold LT for portfolio upgrading benefits. European group bought 20% of shares.
- 3 -REALTY REFUND (EVAL 10/27/7-LT mtg.-Jan FY) Port.: \$56M, no problems; Mix: 81% wraparound mtgs., 19% LT mtgs.; 43% apts., 21% office, 19% industrial. Financing: 1.3 leverage; \$17M credit at 1/2 over prime to 5/78, \$15M at 1 1/2 over prime to 7/80; Issued 328T new warrants. Results: Jan. Q EPS & div. down 4% to 53c on higher inter. Shares: Hold; EPS sensitive to prime; New wts @ 23 issued.
- 4N-REPUBLIC MTG (RTR 6/10/4-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$60M, 63% non- & 17% low-earn; 80% foreclosed. Mix: 28% land acq. & devel., 19% condo, 13% apts.; 62% Florida. Financing: 3.5 leverage; \$30M credit to 6/30/78 at 3% cash or net cash income, plus contingent inter.; Auto. exten. if repayments made. Results: Dec. Q EPS d38c. Dec. FY EPS \$1.16 after 16c gain. Shares: Trading, speculative recovery.
- 3 -RIVIERE REALTY (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Port.: \$24M, 9% low & 2% nonearning; 2% foreclosed; Mix: 36% apts., 24% office, 15% motel, 46% D.C. area, 45% Ind. Financing: 2.6 leverage, 62% mtgs. on property; \$3.5M open line at 1 1/2 over prime. Results: Sep. Q EPS 13c, CFS 21c, Dec. div. 12 1/2c. Shares: Buy/hold more speculative yield.
- 2 -SAN FRANCISCO RE (EVAL 6/17/7-Property-Dec FY) Self-admin. Port.: \$54M, 12% nonearn; 12% foreclosed; Mix: 52% office, most bank-occupied; 9% apts. Financing: 0.8 leverage, 98% mtgs. on prop.; Cut bank debt to \$0.5M. Results: Dec. Q EPS 27c & CFS 35c after 11c int. recovery; Div. 30c, up 50%. Credit restrictions lifted. Seeking new equity investments. Shares: Buy/hold at 23% below book value.
- 3N-SAUL (B.F.) REIT (EVAL 6/17/7-Prop&Mtg.-Sep FY) CAN END REIT. Port.: \$281M, 14% non- & 7% low-earn; 2% held for sale; Mix: 15% mtgs., 85% props.; Owned prop.: 37% shop. ctrs., 35% apartments; Financing: 7.3 leverage; \$116M revolver at 125% of prime to 4/30/79. Results: Dec. Q EPS d29c; 1979 div. "reasonable expectation". Bonds & converts: For yield. Shares: Losses narrowing; Buy on dips for possible div.; Insiders bought 10%



## RELATIVE APPEAL RANKINGS-Continued from page 7

RA--TRUST (Date reviewed Type FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3N-SECURITY MTG (EVAL 10/27/7-Mtg/Forcl prop-Sep FY) CAN END REIT. Port.: \$134M, 30% non-earn; 25% foreclosed; Mix: 38% one-family home improvement second mtgs., 46% comcl. mtgs., 17% mtgs. on medical facil; Financing: 2.1 leverage; \$38M bank credit at 125% of prime extended to 3/30/79; Results: Dec. Q EPS d2c; No div. till 1979 at earliest. Bonds: Attractive for yield, 7% high-yield. Shares: Trading/recovery
- 3N-STATE MUTUAL (EVAL 1/31/8-Mtg/Forcl prop-Mar. FY) NON-QUAL TRUST. Port.: \$59M, 78% non- & low-earn; Mix: 14% hotels, 26% apts.; 22% land. Financing: 1.3 leverage; Sponsor bought \$50M assets reducing sr. debt to \$20M at 2% to 7/79. Results: Dec. Q EPS \$9.62 after \$8.51 gain. Sub. debt tender boosted book value to \$7.74/sh. Bonds: Hold. Shares: Interesting speculation on further recovery.
- 1N-SUMMIT PROP (EVAL 8/26/7-Property-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$50M, 2% non- & low earn; Mix: 46% shop. ctrs. Half assets being sold for wrap-around mtgs. + cash/notes with deferred \$10M gain. Financing: 3.5 leverage; to restructure after deal and repay most debt. Results: Oct. Q EPS d5c & CFS 14c after 29c cap. gain. FY'78 to be profitable. Shares: Spec. buy for unrecognized benefits from pending deal.
- 2 -SUTRO MTG INV (EVAL 10/27/7-ST mtg.-Mar FY) Port.: \$60M, 14% non- & 28% low-earn; 36% foreclosed; Mix: 23% apts., 29% hotel/motel, 17% indust.; Financing: 0.6 leverage; New \$38M credit at .375 over prime to 12/31/78 + 10% + 10%; Results: Dec. Q EPS 12c after 1/2c gain. New commitments. Div. 20c. Converts: Safe yield. Shares: Buy for L/T recovery at 38% below book value.
- 2N-TMC MTG INV (RTR 12/22/7-Mtg/Forcl prop-Mar FY) VOTED CORP. Port.: \$9M, 100% non-earning; 27% foreclosed; Mix: All condos & houses, 97% Puerto Rico. Financing: \$1M Neg. equity; Assets pledged; Swapped many assets and cut bank debt to \$4.7M; Results: Sep. Q EPS d2c. Shares: Considerable long-term speculation potential in purchase of carpet co. with borrowed funds, high risk. NAME CHANGE: TMC Industries Ltd.
- 4N-TEXAS FIRST MTG (RTR 11/12/3-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$19M, 73% nonearn; 60% foreclosed; Mix: 37% land, 9% office, 11% sing. fam. land; Financing: 0.9 leverage; \$7M bank credit at prime to 3/78, max. 8%, 3% paid in cash; assets pledged; Results: Dec. Q EPS 18c after 15c gain. Discussing merger. Shares: Speculation on Texas land recovery or favorable merger.
- 4N-TIERCO (No review-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$46M, 75% non- & low-earn; 41% foreclosed; Mix: 46% apts., 14% undevel. land; heavy Okla.; Financing: 6.0 leverage; \$24M credit at 5% minimum inter. or net cash income plus deferrals, to 6/78; asset swaps. \$2.8M repayment late 12/31/77. Results: Dec. Q EPS 69c after \$1.11 gain; FY \$2.25 after \$2.34 gain. Shares: Spec. recovery on Texas land.
- 3N-TRI-SOUTH MTG (RTR 10/14/4-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$130M, 85% nonearning; 63% foreclosed; Mix: 29% land; 26% GA, 18% Tex., 22% Fla.; Financing: 14.8 leverage; \$54M bank debt at 4% cash inter. or net cash income; Seeking new bank agreement tied to exch. offer. Results: Sep. Q EPS d65c. Bonds: In default; Plan exch. of new senior convt. @ 65% of par for 7 3/4s & 50% of par for 7s. Shares: Speculation on debt tender.
- 2N-UMET TRUST (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$141M, 25% nonearn; 51% foreclosed; Mix: 21% condos, 22% apts., 18% shop. ctrs., 19% office; Swapped \$4M. Financing: 200T negequity; \$77M credit to 8/79 at 6% + contingent int.; Results: Nov. Q EPS d\$2.00; FY d\$3.50. Shares: Speculative, some prop. recovering & being sold; \$2-\$4/sh. interest forgiveness possible; New president named.
- 2 -UNITED REALTY (EVAL 1/31/8-LT mtg.-Nov FY) Port.: \$77M, 39% non- & 4% low-earn; 31% foreclosed; Mix: 21% GNMA's (pledged), 25% office, 18% apts.; Financing: 0.1 leverage; Pledged GNMA's to repay banks \$7M; Results: Nov. Q EPS 20c; Nov. div. 20c. Made 2 new loans. Placed one large loan on nonaccrual. Shares: Buy at 46% below book value for benefits from gradual problem loan solution
- 2N-US BANCORP TRUST (EVAL 10/27/7-Prop&Mtg.-May FY) Port.: \$52M, 19% nonearn & 11% low; 17% foreclosed; Mix: 56% prop. owned or under construction, most indust., rest office; Financing: 2.6 leverage; \$25M credit to 2/18/79 at 120% prime; Dividends permitted. Results: Nov. Q EPS d10c after 3c loss prov. & 3c cap. loss; CFS 8c after 3c loss. Converts: Low but safe yield. Shares: LT recovery, good equity base, positive cash flow, selling biggest problem.
- 2N-US REALTY INV (RTR 12/9/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Port.: \$96M, 17% nonearn & 16% low; Mix: 42% mtgs., 58% owned property, Financing: 5.7 leverage; \$32M at 125% of prime payable at 5 3/4% or cash flow; Results: Sep. Q EPS 8c after 12c gain; CFS 21c after 12c gain. Converts: OK for risk income. Shares: Buy/hold for long-term recovery
- 2 -VIRGINIA RE (EVAL 10/27/7-Prop&Mtg.-Dec FY) Self-adm. Port.: \$38M, 17% foreclosed & nonearning; Mix: 92% property, 8% mtgs.; Financing: 2.0 leverage, 75% mtgs. on property; \$7M bank term loan at 3% over prime extended to Mar. 31, '81; assets pledged. Results: Dec. Q EPS 17c; FY EPS 43c; Sep. CFS 16c; Dec. div. 10c. Shares: Hold/buy for long term recovery plus improved property results.
- 3N-WACHOVIA REALTY (RTR 8/12/7-Mtg/Forcl prop-Aug FY) Port.: \$114M, 45% nonearn & 25% low; 42% foreclosed; Mix: 12% apts., 19% land & devel., 20% comcl., 11% hotel/motel; Financing: 1.8 leverage; \$62M revolving credit to 7/79 at prime + contingent interest at 125% of prime. Results: Nov. Q EPS d18c. Shares: Speculation on long term recovery, asset disposition.
- 3N-WALTER REALTY (EVAL 10/27/7-Prop&Mtg.-July FY) NON-QUAL TRUST. Port.: \$37M, 68% nonearn; 45% foreclosed; 62% property. Mix: 22% indust., 16% offices; 12% land; 47% Fla. Sold 5 prop. for \$9M. Financing: 2.7 leverage; \$11M credit to 10/78 @ 117% prime; Results: Oct. Q EPS d33c after 4c loss. Shares: Hold for long recovery and benefits of property sales.
- 2 -WASHINGTON REIT (EVAL 8/26/7-Property-Dec FY) Port.: \$32M, no nonearning; Mix: All property, 98% in Washington, D.C. area; 57% high-rise apts., 20% shop. ctrs., 23% distrib.-office. Bought \$1.5M shop. ctr. in Sept. Financing: 0.8 leverage, 88% mtg. debt; 11% bank debt. Results: Dec. Q EPS 48c; Sep. CFS 44c; Dec. FY EPS \$2.72 after \$1.06 gain. Dec. div 45c. Shares: Buy/hold for income, top quality assets, condo potential in apts.
- 3 -WELLS FARGO M&E (EVAL 8/26/7-Prop&Mtg.-June FY) Port.: \$186M, 8% non- & 25% low-earn; 15% foreclosed; Mix: 39% apts., 16% development, 7% condos. Financing: 1.9 leverage; Borrows under \$168M open lines backing \$108M commercial paper. New commitments. Results: Dec. Q EPS 39c after 6c gain & 12c recovery of past due interest; declared 30c div. for Feb. & May. Shares: Hold for recovery; small interest risk.
- 2N-WESTERN MTG (RTR 12/9/7-ST mtg.-Feb FY) Port.: \$18M, 25% non- & 11% low-earn; 21% foreclosed; Mix: 24% land acq. & devel., 15% apts. Sold \$4M office. Making new commitments. Financing: 1.3 leverage; \$7M revolver at 1/2% over prime, plus \$2M from banks payable over 2 1/2 years. Results: Nov. Q EPS 10c after 6c gain. Shares: Speculative buy for recovery and dividend resumption.
- 2N-WESTPORT CO. (was HNC) (EVAL 1/31/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$93M, 52% non- & 14% low-earn; 46% fore. Mix: 20% condos, 18% land, 11% apts., 13c offices, 11% hotels; Financing: 6.0 leverage, \$60M bank term loan to 8/79 at 2 1/2-5% or net income with conting. inter. to 8%. Swapping assets. Results: Jan. Q EPS d3c. New group bought 31% control. Converts: Possible tender. Shares: Speculative buy.
- 2N-WISCONSIN REIT (EVAL 8/26/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$33M, 10% nonearning; Mix: 78% property, 10% foreclosed, 12% mtgs. Financing: 2.8 leverage, \$20M mtg. debt; \$3M short term. Results: Dec. year EPS 19c after 9c tax benefits. Buying Fla. home builder to develop land; Nego. for Riverside Prop. with \$6M assets. Shares: Spec. on improving trend; Group bought 8.4% of shares

REIT STATUS is shown to indicate whether an entity must pay 90% of taxable earnings as dividends and thus remain qualified for conduit income tax treatment. Three stages in status are shown: VOTING POWER TO END REIT STATUS, when a proposal is pending before shareholders to give trustees discretion over whether to continue to qualify; CAN END REIT STATUS, when shareholders have given trustees power to end qualification; and NON-QUAL TRUST, when trustees have ended qualification and the entity operates as a business trust taxed as a corporation. Trustees of these entities generally have made no decision on whether to requalify and investors should not assume they will requalify and pay dividends even if profits are restored. The 1976 Tax Reform Act imposed some restrictions to requalification.